

“OMB Management Watch List: \$65 Billion Reasons to Ensure the Federal Government is Effectively Managing Information Technology Investments”

Opening Statement of Chairman Davis

Thursday, April 21, 2005, 10:00 a.m.

Room 2154 Rayburn House Office Building

Good morning. A quorum being present, the Committee on Government Reform will come to order. I would like to welcome everyone to today’s hearing on the OMB Watch List.

The President’s fiscal year 2006 IT budget request for the Federal government is over \$65 billion, and that figure is expected to rise continually throughout the rest of the decade. Given this fact, it is essential that the Federal government manage IT investments efficiently. The Federal government must acquire systems and services that not only provide the highest quality for government employees but also provide the best value for the taxpayer dollar.

Under the Clinger-Cohen Act, the Office of Management and Budget (OMB) is required to establish processes to analyze, track, and evaluate the risks and results of major capital investments in information systems made by Federal agencies. For the fiscal year 2005 budget, OMB established a “Management Watch List” of mission-critical projects that have exhibited shortfalls in performance measures, project management, IT security, or overall justification. According to OMB’s testimony before this committee last year, agencies with projects on the Watch List are required to correct weaknesses and deficiencies or risk OMB placing limits on their spending.

Of the \$60 billion dollars dedicated for Federal IT spending in FY05, \$22 billion represented projects on the Watch List – this is over half of all federal IT initiatives. This year there are more than 1000 IT projects. OMB reported that there are 342 projects, representing about \$15 billion dollars, on the Watch List. This represents a significant improvement, one I hope we can continue.

I commend OMB for creating this management tool to address significant challenges facing the federal government, but at the same time, I want to make sure that it’s being used effectively. There is some concern that OMB has not fully exploited the opportunity to use the Watch List as a tool for analyzing IT investments on a government-wide basis. I am concerned that there is no aggregate list *per se*. It is my understanding that OMB did not develop a single list of projects meeting their Watch List criteria and instead relied on individual analysts to evaluate the agencies and simply compile the results. Without a comprehensive list of projects and their identified weaknesses, I am apprehensive about OMB’s ability to effectively follow up with these agencies to determine whether they have addressed the weaknesses associated with projects on the Watch List.

The primary purpose of today’s hearing is to get a better understanding of OMB’s use of the Watch List. In particular, the Committee is interested in determining if the concept of the Watch List could be more effectively utilized by the federal government as a tool to manage information technology investments. Additionally, the Committee looks forward to learning how OMB coordinates with individual agencies to identify and resolve IT-related challenges.

In a report requested by this Committee last year, the Government Accountability Office evaluated OMB's processes regarding (1) placing projects on the Watch List and (2) following up on corrective actions established for projects on the Watch List. GAO will be releasing this report to the public today. We look forward to discussing the results of their research.

We have two distinguished panels of witnesses before us today. On the first panel we will hear from Karen Evans from the Office of Management and Budget, and David Powner from the Government Accountability Office, who will discuss the Watch List from a government-wide perspective. Our second panel features representatives from the Departments of Transportation, Housing and Urban Development, Energy and Veterans Affairs. These representatives will explain the nature of their projects on the Watch List as well as the efforts they have taken to resolve the issues that have placed their projects on the Watch List.

I welcome all of the witnesses to today's hearing and look forward to their testimony.